

Venture Capital Investment

Tax Credit



History: Venture capital investments serve as a major impetus for the development and expansion of large and small companies throughout the United States and the world. In an effort to encourage venture capital investments to be made in Indiana companies, the Indiana General Assembly enacted the Venture Capital Investment Tax Credit during the 2002 Special Session as a provision within HEA 1001ss. The credit is designed to allow a nonrefundable Indiana tax credit to taxpayers that provide qualified investment capital to qualified Indiana businesses. Indiana's businesses and overall economy benefit through the increased amount of capital investments and continued growth of business activities that occur in the state.



Eligibility:

The Venture Capital Investment Tax Credit provisions require a "qualified Indiana business" to be an independently owned and operated business that is certified as a qualified Indiana business by the Indiana Department of Commerce (IDOC).

Based upon the information contained in the Venture Capital Investment Tax Credit Application, which is filed with IDOC by applicant businesses seeking to be certified as a qualified Indiana business for purposes of the Venture Capital Investment Tax Credit, IDOC shall certify that a business is qualified if the business:

1. Is a high-growth company that is:
 - Entering a new product or process area.
 - Has a substantial number of employees in jobs requiring postsecondary education or its equivalent, or that are in occupational codes classified as high-skill by the Bureau of Labor Statistics, United States Department of Labor.
 - Has a substantial number of employees that earn at least 150 percent of Indiana per capita personal income.
2. Has its headquarters in Indiana.
3. Is primarily focused on research and development, technology transfers, the application of new technology or promotes the purposes of the Venture Capital Investment Statute.
4. Has had average annual revenue of less than \$10,000,000 in the two years preceding the year in which the qualified investment is made.
5. Has at least 50 percent of its employees residing in Indiana and at least 75 percent of its assets located in Indiana.
6. Is not engaged in a real estate, insurance, accountant, physician or lawyer-related business or oil and gas exploration.

Certification Process for Qualified Indiana Businesses

Qualified Indiana businesses must also be properly registered to do business in Indiana at the Indiana Secretary of State's office.

Indiana businesses that desire to be certified by IDOC as qualified Indiana businesses for purposes of the Venture Capital Investment Tax Credit must submit a Venture Capital Investment Tax Credit Application to IDOC. IDOC was authorized to begin accepting applications for certification of qualified Indiana businesses on January 1, 2003. Applications may be obtained from IDOC at:

Indiana Department of Commerce
Development Finance Office
One North Capitol, Suite 700
Indianapolis, IN 46204

An electronic version of the application (Venture Capital Investment Tax Credit e-App) may be obtained via the IDOC Web site at: www.state.in.us/doc/. Information concerning each of the eligibility standards must be described in specific detail within the application. Supporting documentation may be requested by IDOC during its certification process.

Applications must be submitted to IDOC at the address referenced above.

Additionally, an application fee in the amount of \$200 must accompany the application at the time of its submittal to IDOC. Checks or money orders must be payable to the Indiana Department of Commerce.

Upon the completion of IDOC's review of the application and the submittals of any additional documentation requested by IDOC's Venture Capital Investment Tax Credit Certification Review Team during the certification process, IDOC shall issue to the applicant:

1. If the application is approved, an Indiana Venture Capital Investment Tax Credit Qualified Business Certification.
2. If the application is denied, an IDOC Venture Capital Investment Tax Credit Qualified Business Certification Denial.

Calculation of the Venture Capital Investment Tax Credit

A taxpayer that provides qualified investment capital to a qualified Indiana business may claim the Venture Capital Investment Tax Credit against the taxpayer's:

- State gross retail and use tax
- Adjusted gross income tax
- Financial institutions tax
- Insurance premiums tax

The term "qualified investment capital" means debt or equity capital that is provided to a qualified Indiana business after December 31, 2003. Therefore, capital investments eligible for the Venture Capital Investment Tax Credit cannot be made prior to January 1, 2004.

The taxpayer's qualified investment capital provided to a qualified Indiana business during a taxable year. The qualified investment capital is subject to the qualified Indiana business' maximum available Venture Capital Investment Tax Credit amount referenced below and the annual maximum total Venture Capital Investment Tax Credit allowance amount also referenced below.

The maximum Venture Capital Investment Tax Credit amount available to a particular qualified Indiana business equals the lesser of:

1. Twenty percent of the total amount of qualified investment capital provided to the qualified Indiana business; or,
2. \$500,000.

The annual maximum total Venture Capital Investment Tax Credits allowable by the Indiana Department of Revenue in a particular calendar year cannot exceed \$10,000,000. Allocation of the credits toward the maximum allowable annual credit amount will be determined by the chronological order in which the tax returns (upon which the credits are taken) are filed at the Indiana Department of Revenue. The Indiana Department of Revenue will provide notice to taxpayers that have not been allowed the full amount of the Venture Capital Investment Tax Credit claimed on the taxpayer's tax returns.

If the amount of the allowed Venture Capital Investment Tax Credit claimed by a taxpayer on the taxpayer's tax returns in a particular taxable year exceeds the taxpayer's state tax liability, the taxpayer may carry the excess over to the following taxable years. A taxpayer is not entitled to a carryback.

Pass-through entities that are entitled to a Venture Capital Investment Tax Credit but which do not have a state tax liability may pass the credit through to its shareholders, partners or members as a percentage of the pass-through entity's distributive income to which the shareholder, partner or member is entitled.

Interested businesses may contact IDOC with further inquiries at 317.232.8800 or visit the IDOC Web site at www.indianacommerce.com.